

ROYAL COMMISSION
ON
ATLANTIC ACCEPTANCE CORPORATION LIMITED
EXHIBIT No. 3669

PER *NL* 14.1.67 DATE

EVIDENCE GATHERED FOR THE
REPORT
of
THE ROYAL COMMISSION
APPOINTED TO INQUIRE INTO
THE FAILURE
of
ATLANTIC ACCEPTANCE CORPORATION
LIMITED

EXAMINATION OF C.P. MORGAN

Date of interview: October 22, 1965

Exhibit Number: 3669

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ROYAL COMMISSION

ON

ATLANTIC ACCEPTANCE CORPORATION LIMITED

EXHIBIT No. 3669

PER N 14.1.67 DATE

REGISTRAR

IN THE MATTER OF THE BANKRUPTCY OF EVERMAC OFFICE
EQUIPMENT COMPANY LIMITED, of the City of Toronto,
in the County of York, in the Province of Ontario

EXAMINATION FOR DISCOVERY OF C. POWELL MORGAN

dated the 22nd day of OCTOBER, 1965

PETER A. MC CALL
1971-1984
Chartered Certified Accountant
TORONTO, ONTARIO

ONTARIO

In The ~~Supreme~~ Court Of ~~Ontario~~

IN BANKRUPTCY

BETWEEN:

~~IN THE MATTER OF THE BANKRUPTCY OF EVEREADY
OFFICE EQUIPMENT COMPANY LIMITED, of the
City of Trenton, in the County of Hastings, in
the Province of Ontario.~~

AND

EXAMINATION OF

C. POWELL MAX

- FOR DISCOVERY
- ON AFFIDAVIT
- AS JUDGMENT DEBTOR
- OR SOME ELSE

TAKEN

October 22nd,

19 65

The Royal Commission on Electoral Integrity Act

PETER W. MCHUGH
SPECIAL EXAMINER
TORONTO

IN THE SUPREME COURT OF ONTARIO

IN BANKRUPTCY

IN THE MATTER OF THE BANKRUPTCY OF EVERMAC
OFFICE EQUIPMENT COMPANY LIMITED, of the
City of Toronto, in the County of York,
Province of Ontario

This is the examination of C. POWELL
MORGAN, under Section 121 of the Bankruptcy Act, taken
in shorthand before Peter W. McHugh, C.S.R., Special
Examiner, at his Chambers Suite 802 the Victory Building,
80 Richmond Street West, Toronto, Ontario, on the 22nd
day of October, 1965.

APPEARANCE:

D.E. BAIRD, ESQ., for the Trustee

1
2
3 C. POWELL MORGAN, sworn.
4
5 BY MR. BAIRD:

6 Q. Mr. Morgan, what is your full name?
7 A. Campbell Powell Morgan.

8 Q. Where do you live?

9 A. 11 St. Ives Crescent.

10 Q. Mr. Morgan, you are entitled to be
11 represented by legal counsel on this examination
12 if you so desire.

13 A. I don't think it is necessary.

14 Q. Mr. Morgan, this is an examination
15 concerning the affairs of Evermac Office Equipment
16 Company Limited. What was your position with
17 this company?

18 A. I had no position with it at all.

19 Q. What was your position with Commodore
20 Sales Acceptance Limited?

21 A. I was its President.

22 Q. What was your position with Aurora
23 Leasing Corporation Limited?

24 A. I had no position with it. I had a
25 small interest in some of the shares of the
26 corporation.

27 Q. What was your position with Trans
28 Commercial Acceptance Limited?

29 A. I had no position with it.

1 Q. What was your position with Commodore
2 Business Machines (Canada) Limited?

3 A. At one time I was managing director,
4 not managing director, director, and Chairman
5 of the Board of the company.

6 Q. When did you first become associated
7 with Commodore Business Machines (Canada) Limited?

8 A. When it was incorporated. I believe
9 it was approximately 1961.

10 Q. What was your first association with
11 that company?

12 A. Commodore Business Machines -- we had
13 -- in other words, Commodore Sales Acceptance
14 did some factoring for Commodore Business
15 Machines (Canada) Limited.

16 Q. Subsequent to your factoring accounts,
17 what position did you obtain, or acquire?

18 A. I became Chairman of the Board and
19 was director of the company.

20 Q. For what period of time were you a
21 director of the company and Chairman of the
22 Board?

23 A. Well, I resigned. I couldn't answer
24 that specifically without checking it out.

25 Q. Was it for one year, two years, three
26 years?

27 A. I would think probably it would be
28 in the neighbourhood of three years.

29 Q. Were you familiar with the normal
30

1 management, everyday management of Commodore
2 Business Machines (Canada) Limited?

3 A. I was not.

4 15 Q. Who was running the company?

5 A. Mr. Jack Tramiel.

6 16 Q. What was his position?

7 A. He was its president.

8 17 Q. Was there anyone else assisting in the
9 operation of the company?

10 A. Mr. Manfred Kapp. Those were the two
11 persons I was in contact with.

12 18 Q. What was your position with Commodore
13 Dry Copy Limited?

14 A. I had no position. It was a subsidiary
15 company of the parent company. It was a
16 subsidiary of Commodore Business Machines.

17 19 Q. What was your position with Commodore
18 Dry Copy Inc.

19 A. Same thing. It was a subsidiary
0 company.

1 A. 20 Q. Were you an officer or director of
2 that company?

3 A. I don't think so.

4 21 Q. Were you officer or director of
5 Commodore Business Machines Inc.?

6 A. No, but the same situation. I was
7 Chairman of the parent company.

8 22 Q. Were you an officer or director of

9 Hugo Oppenheim Und Sohn Nachf. Berlin Privatbank

1 A.Q.?

2 A. I was not.

3 Q. For the purpose of this examination,
4 I will refer to that company as the Berlin Bank.

5 A. Fine.

6 Q. Were you an officer or director of the
7 Hugo Oppenheimbank (Canada) Limited?

8 A. No.

9 Q. For the purpose of this examination,
10 I will refer to that company as the Canadian
11 Bank. Were you an officer or director of
12 Associated Canadian Holdings Limited?

13 A. No, a shareholder.

14 Q. Were you an officer or director of
15 N.G.K. Investments Limited?

16 A. Its President.

17 Q. Were you an officer or director of Jay
18 Man Distributors Inc.?

19 A. I was not.

20 Q. Did you own any shares of Jay Man
21 Distributors Inc.?

22 A. No.

23 Q. Were you an officer or director of
24 Baronet Associates Inc.?

25 A. No.

26 Q. Did you own any shares in Baronet
27 Associates Inc.?

28 A. No, I did not.

1 ---Off the record discussion.

2

3 BY MR. BAIRD:

4 31 Q. Were you an officer or director of
5 Pearlsound Distributors Limited?

6 A. No, I was not.

7 32 Q. Were you an officer or director of
8 Humber Typewriters and Business Equipment Limited?

9 A. No, Humber was an associated company
10 of ~~Commodore~~ Business Machines.

11 33 Q. Were you an officer or director of
12 Five Wheels Limited?

13 A. Yes. I was Chairman of the Board of
14 Five Wheels until---

15 34 Q. For what period of time were you Chairman
16 of the Board of Five Wheels Limited?

17 A. I would think it would probably be for
18 the last two years previous to my resignation in
19 June this year, possibly June 1964 or 1965.

0 35 Q. Were you an officer or director of
1 Analogue Controls Inc.?

2 A. No.

3 36 Q. Were you an officer or director of
4 Don Mills?

5 A. No.

6 37 Q. What is Don Mills?

7 A. I don't know.

8 38 Q. Are you familiar with the name of a
9 company -- are you familiar with any company by

1 the name of Don Mills?

2 A. I don't recall anything by that name.

3 I should correct that -- at one time Analogue
4 Controls was a subsidiary company of Commodore.

5 I think at that time, I was probably connected
6 as a nominee director.

7 39 Q. When you refer to Commodore, which
8 company are you referring to?

9 A. Commodore Business Machines.

10 40 Q. Mr. Morgan, I understand you are a
11 chartered accountant. Is that correct?

12 A. That's correct.

13 41 Q. What was your position with Atlantic
14 Acceptance Corporation Limited?

15 A. I was president of that company until
16 June.

17 42 Q. For what period of time were you its
18 president?

19 A. Since its inception.

20 43 Q. When was it incorporated?

21 A. 1953.

22 44 Q. Mr. Morgan, when did you first have
23 any business dealings with Jack Tramiel?

24 A. Well, it would be back -- I am guessing --
25 but I think it would be around 1959.

26 45 Q. What was the nature of those business
27 dealings?

28 A. Well, we were just starting Commodore,
29 forming that company, Commodore Sales Acceptance,

1 and the factoring business, and at that time
2 why Atlantic took 51% interest in Commodore
3 Sales Acceptance Limited and 49% were spread
4 around through various people and one of those,
5 one of that group was Jack Tramiel, and Jack
6 Tramiel was the first customer of Commodore
7 Sales Acceptance in the factoring field at this
8 time Atlantic had a controlling interest but it
9 was not a wholly owned subsidiary at that time.

046 Q. You say --- was he personally the first
1 customer, or was it a company?

2 A. The first customer. It was Commodore,
3 I think they called it then, Commodore Portable
4 Typewriter Company.

547 Q. Do you know what size shareholdings he
6 had in Commodore Sales Acceptance Limited at
7 that time?

8 A. I can't tell you the exact number of
9 percentage but in the records of the company
0 there was a whole group of minority shareholders
1 at that particular time.

248 Q. For what period of time was Mr. Tramiel
3 a minority shareholder in Commodore Sales
4 Acceptance Limited?

5 A. Until it was taken over by Atlantic
6 when they bought out the shares of all of the
7 minority shareholders.

849 Q. When was this done?

9 A. I am guessing but I would think it would
0 be page generously brought to you by Daniel Spreadbury

1 probably be in about 1962.

2 Q. When you refer to Atlantic throughout
3 this examination, you will be referring to
4 Atlantic Acceptance Corporation Limited?

5 A. Yes, and if I refer to Commodore,
6 I will mean Commodore Sales Acceptance, and
7 if I mean Commodore Business Machines, I will
8 so identify it.

9 Q. What happened to the business of
0 Commodore Portable Typewriters?

1 A. Well, I think it was the company that
2 was -- this name was changed and became
3 Commodore Business Machines (Canada) Limited.

4 Q. When the name was changed, did you
5 become associated with it?

6 A. I did not become associated with it
7 until later on, as far as having anything to
3 do with it from the company point of view,
until it was publically offered to the public
and at that particular time, I believe a
prospectus will show -- my name was in as
director and subsequently became Chairman of
the Board.

1 Q. Did you own the shares personally or
as Trustee for any other person?

2 A. Which company?

3 Q. Of Commodore Business Machines?

4 A. I don't follow.

Commodore Business Machines as nominee of Commodore Sales Acceptance Limited, or was this a personal investment?

A. I was nominee for Commodore Sales Acceptance on the Board of the company. As far as the shareholdings were concerned, this was personal.

56 Q. What subsequent dealings did you have with Mr. Tramiel?

A. In which regard? There were so many things with Mr. Tramiel.

57 Q. In particular I refer to Evermac?

A. This company was, to the best of my knowledge, -- I know very little about Evermac other than the fact it is a company in Mr. Tramiel's orbit, shall I use that word, and it was defunct, or at least it had gone into -- I don't know whether it went into bankruptcy or not, but it was certainly---

58 Q. Would it be proper to say it was dormant?

A. Dormant, that is the word I was searching for, and Mr. Tramiel used that company for a number of transactions, the only one of which I am aware of is the transaction in connection with the purchase of the shares of the German Bank.

59 Q. Mr. Tramiel has stated in an examination that Evermac was reactivated at your request.

Is that correct?

A. What does he mean by that?

60

Q. He stated -- I will read from Mr.

Tramiel's own examination on September 23rd, 1965.

He stated -- I will summarize it for you. The company got into financial difficulties. He is referring to Evermac and then the company subsequently stopped doing business completely.

Some time in the 1960s -- again I believe 1962 if I am not mistaken, and at that time

"I personally was living in the United States, under the instructions of Mr. Morgan this company was reactivated.

"Q. What right did Mr. Morgan have to give the instructions that the company should be reactivated?

A. Mr. Morgan was the gentleman which held the financial strings."

The answer to the question was "Mr. Morgan was the gentleman which held the financial strings of Commodore Business Machines."

Is that correct?

A. As far as I am concerned it is not correct.

61 Q. Did you authorize Evermac to be, in the terms of Mr. Tramiel, reactivated?

A. For what purpose?

62 Q. I don't know.

A. Neither do I. I would have to get the

1 context of that. It doesn't make sense to me.

2 Q. Mr. Kapp, Manfred Kapp, on his examination
3 under Oath said,

4 "After the company was inactive, at the
5 suggestion of Mr Morgan, the shares of
6 Pearlsound Distributors Limited were
7 produced by Evermac."

8 Is that correct?

9 A. I haven't any financial statement of
0 Evermac. I don't know what that means.

1 Q. The books of account of Evermac indicate
2 that in August 15th, 1962, the shares of
3 Pearlsound Distributors Limited were purchased
4 by Evermac. Were you familiar with this
5 transaction?

6 A. I know Pearlsound. I know the operation
7 but I don't understand the relationship. What
8 does this mean?

9 Q. Mr. Kapp has told us that Evermac purchased
0 shares of Pearlsound Distributors solely at your
1 direction?

2 A. Why?

3 Q. We asked him why Evermac purchased
4 shares of Pearlsound Distributors Limited and
5 the reason he gave was it was done at the
6 direction of Mr. Morgan and he could not give
7 us any other explanation for the purchase other
8 than it was authorized by you. Is that correct?

9 A. No, that is not correct. I can't say
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PETER W. MCHUGH
SPECIAL EXAMINER
TORONTO

unless -- whatever the intent was, it is entirely different.

67 Q. What do you mean by "whatever the intent was it is entirely different?"

A. I don't know -- I don't know whether -- I never had anything to do with the books of Evermac, or with the setting up of the accounts and I don't know -- what did they give for the purchase of Pearlsound shares?

68 Q. According to the records of Evermac, they purchased 17,500 shares of Commodore Business Machines at \$3.00 each from a company known as Don Mills and then transferred those shares to N.G.K. Investments Limited which were the former owners of the shares of Pearlsound Distributors Limited?

A. I can't recall this transaction. I would have to get some clarification by the books. The books have all disappeared.

69 Q. We have all the books of Evermac with us?

A. I never saw the books of Evermac. I could not be of any help with that.

70 Q. Were you involved in N.G.K. Investments about the purchase of shares of Evermac?

A. Now, I am getting -- this is coming back because of the number of transactions.

N.G.K. were the owners of Pearlsound Distributors and now this transaction is starting to make some

sense. They did sell their interest for some escrowed shares. Were they escrowed at that time?

71 Q. There is no mention of escrow here?

A. At \$3.00 a piece. Now I remember the transaction. I believe that is correct.

72 Q. With whom did you negotiate this transaction?

A. With Mr. Tramiel.

73 Q. Mr. Tramiel and Mr. Kapp have indicated throughout their examinations that all transactions subsequent to 1961 by Evermac were made only at your direction and only with your approval. Is that correct?

A. No. As far as I am concerned, the only thing is I put it the other way. They used this company for the transaction of the business and the only thing I did was to approve advances.

74 Q. What advances did you approve?

A. Whatever the transactions are.

75 Q. You mean advances to Evermac by Commodore Sales Acceptance?

A. Right.

76 Q. At this time, dealing with the purchase of the shares of Pearlsound Distributors Limited, the records indicate that \$53,000.00 was loaned to Evermac by Commodore Sales Acceptance Limited and that this money appears to have been used for the purchase of the shares of Commodore

Business Machines from Don Mills. Were you familiar with that?

A. No, I can't remember.

77 Q. Don Mills appears to us to be a company, or an association of Mr. Kapp and Mr. Tramiel. Do you know anything about this company by name of Don Mills?

A. I can't recall it. I would have to look through the records. Mr. Farlinger was asking about that too. I can't recall it.

78 Q. Mr. Kapp, when questioned was asked why the transaction was carried out in this manner, the manner I have described to you whereby instead of N.G.K. being paid cash for the shares of Pearlsound Distributors they received shares of Commodore Business Machines and he answered that this was determined by Mr. Morgan, the method of the transaction. Is that correct?

A. I can't remember the details of the transaction. What difference does it make as long as the consideration was stated? Can you see any problem there?

79 Q. It is just that it is an unusual form of transaction, Mr. Morgan, and it also involved Don Mills which is a very nebulous factor as far as we are concerned at the present time, and we thought there might be some other factor of which we are not aware in the transaction, and which ^{aggressively} brought to you by Daniel Spradbury

this is why we are questioning you?

A. No, I think the value of Pearlsound it was quite a good little operating company and I think the surplus at that particular time would indicate it was worth approximately \$50,000.00.

80 Q. Why did not N.G.K. Investments retain the shares of Pearlsound? Why were they sold?

A. They moved. Mr. Tramiel was taking over one of the companies that Commodore was having difficulties with which was Pro Musica and Pearlsound was the associated company with Pro Musica and were taking it under their supervision. Mr. Vogt, one of his men was running it by the time we got through with Haddrath.

81 Q. Did Mr. Tramiel have any discussions with you concerning the purchase of the shares of Pearlsound?

A. I have had hundreds of discussions with Mr. Tramiel. It is very difficult for me to analyze an isolated transaction about three or four years old, you know. Some of my -- I am trying to scrape my memory in regard to the transaction. It is very difficult.

82 Q. Our main concern, Mr. Morgan, is who actually made the decisions on behalf of Evermac in numerous transactions?

A. Well, I think Mr. Tramiel made the decisions. He may have discussed items with me

PETER W. MCHUGH
SPECIAL EXAMINER
TORONTO

with regard to the financing of them but definitely, I had no axe to grind with the creation of Evermac. That was a previous company of his.

83

Q. Mr. Tramiel has stated that Commodore Business Machines started using Messrs. Solomon & Singer and/or Messrs. Solomon & Samuels as their solicitors on your instructions. Is that correct?

A. I was using Solomon & Singer but I never gave instructions to Mr. Tramiel with regard to their legal attorneys. I have no axe to grind with regard to that. They were young attorneys coming along and they did business properly and quickly. I never gave instructions that I know of to pass on any business to them.

84

Q. Mr. Tramiel, on examination, was asked "Who directed the investments of the company, the company re Evermac?" and the answer was,

"Mr. C.P. Morgan."

A. What were the investments?

85

Q. One of the major investments was the investment in shares of the Berlin Bank. Did you direct Evermac to invest its money into the German Bank?

A. Mr. Tramiel brought the deal with the German Bank to me. He said if money was invested in the German Bank, Atlantic Acceptance could borrow approximately fifteen times its

investment in the German money market, and I was foolish enough to believe this was true, and that is the reason how this investment in the German Bank came around. As far as me knowing anything about the German Bank is concerned, I don't even know where the Bank was and where it existed, and the whole concept of the German Bank came from Mr. Tramiel.

86 Q. To answer your question concerning what were the investments of Evermac. The books of account of Evermac indicate that Evermac had investments in shares of Commodore Business Machines, in the shares of Pearlsound Distributors Limited, in the shares of Humber Typewriters and Business Equipment Limited, in addition to the purchase of shares of the Berlin Bank?

A. I think Mr. Tramiel was president of all of those companies, or senior officer in all of them.

87 Q. Did you direct the investments, and did you control those investments?

A. No. How could I control it when Mr. Tramiel controlled the company?

88 Q. I cannot understand that either, Mr. Morgan, but I am advising you as to what Mr. Tramiel has sworn under oath when I questioned him. I asked him,

Investments?" His answer was,
"I did not have any control because I
did not have any money. The control
in the investments, any directions,
any commitments always had to go through
Mr. C.P. Morgan."

A. This isn't true.

89 Q. Is that correct?

A. No. As far as I am concerned, Mr.
Tramiel controlled the books. He controlled
the signing of cheques and everything of that
nature. The only thing I did, if they ever
needed money, I saw that they got it and those
discussions with regard to investments were
wholly discussions with Mr. Tramiel and he
was definitely a party to them. He had control.
I never took the shares or anything.

90 Q. Was Mr. Kapp involved---

A. Oh yes.

91 Q. ---in the discussions concerning the
investments to be made on behalf of Evermac?

A. He and Mr. Tramiel were just like
Damon & Pythias. If you say one, you have got
to say them both.

92 Q. Who had the final decision as to the
investments to be made by Evermac?

A. Probably Mr. Tramiel.

93 Q. Further, I questioned Mr. Tramiel as

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of the investments of Evermac, and his answer was, "Because Mr. Morgan was the man, I repeat again, who was lending the money and I believe not deciding anything on my own if I would have because it was not my money, it was his. I would like to just outline that if you want it.

In 1959, 1958, at the time when Evermac stopped doing business, that was the time when we started doing business with Commodore Sales Acceptance and Mr. Morgan, to me, Mr. Morgan was like a saint. I just never believed that Mr. Morgan could do anything wrong and to the question you asked why I allowed him that is because of this reason, is because to me, I would have done for this man almost anything because he helped me from a position where I was completely out and he had faith in me. He loaned the company where I was insignificant in, that means Commodore Business Machines."

A. He grew very big. As a matter of fact, he hasn't even talked to me since the 12th of June when he has seen me.

Q. Mr. Tramiel was asked,

"Anything to do with the President, I would sign when it was mailed to me or when I was in Toronto and anything about it as far as the President, I signed it.

Q. Did you sign it on your own instructions, or did you take instructions from Mr. Morgan?

A. I took instructions from Mr. Morgan.

Q. Did you ever initiate any transactions on your own initiative?

A. It could have been some but not approved though. Approval was always with Mr. Morgan's approval. I did not make any transaction on my own."

Is that correct, Mr. Morgan?

A. Well, as far as I am concerned that is not correct. The intention there is to try to make them believe that all of those transactions in connection with Evermac and Associated companies were my doing. I, for heavens sake, I did not have enough time to do that. All I did -- we had many meetings with Mr. Tramiel and Mr. Kapp in connection with the corporations and their success and their ongoing and decisions were reached but as far as me reaching in and instructing them to do this and that and do the other thing, it wouldn't be practical to do it.

Absolutely he was in charge of the company and he ran the company and he should accept the responsibility of its presidency.

Q. I questioned Mr. Tramiel concerning his shareholdings in the company. The question was "And all the shares in that company were held either by you or Mr. Kapp?"

A. In name, yes, in name.

Q. On whose behalf were you holding these shares?

A. I would say in behalf of Mr. Morgan.

Q. Was there any written agreement to this effect?

A. Not as I can recollect.

Q. From what you told me, you took instructions from Mr. Morgan?" His answer was "I did.

Q. Everything that was done in this company was done on the instructions of Mr. Morgan?" That was a question and the answer was, "I did, yes.

MR. POMERANT: Or with the approval is what Mr. Tramiel has said."

A. The shareholdings of the company -- I never owned a share of it and as far as I am concerned, they are still beneficially owned whoever the shareholders are. I don't even know who they are. We are talking here about Everman?

20 Q. Yes?

A. Yes.

---Off the record discussion.

BY MR. BAIRD:

97 Q. Further, Mr. Tramiel has said if he initiated something, it was never done without your approval?

A. I think the number of transactions of Evermac are not large. It is possible we may have discussed them.

98 Q. Were you entitled to any profit as a result of the transactions in Evermac?

A. No.

99 Q. Were you entitled, or did you have any agreement or discussions with Mr. Tramiel and Mr. Kapp whereby you were to receive any equity in the company?

A. In Evermac? No.

100 Q. Mr. Tramiel has stated that you had control of the shares of Evermac because of your position as having complete power over him and Commodore Business Machines as a result of the fact that money was loaned to Commodore Business Machines by Commodore Sales Acceptance Limited. Is that correct?

A. Well, in essence this would be a big stick in connection with the handling of the

corporate affairs. I wouldn't put it that way.

- 101 Q. Mr. Tramiel has answered that at the time that Commodore Business Machines purchased the shares of Humber Typewriter from Evermac, "Evermac in a roundabout way, was owned by Mr. Morgan. He was the man who advanced the money for this particular company and this is the reason this is the only man we can negotiate with and Mr. Morgan was the man who suggested to sell this company to Commodore too.

This is the company known as Humber Typewriters. Is that right?

- A. This is wrong. The transaction -- I approved -- I agreed to the transaction going through but I never had anything to do with the everyday operations of the typewriter business. the whole Humber deal was done by Mr. Kapp, Manfred Kapp and Mr. Tramiel.

- 102 Q. In what way did you approve the transaction?

A. In my capacity as Chairman of Commodore Business Machines, I was in on the purchase of the company.

- 103 Q. I questioned Mr. Tramiel and asked him "If Mr. Morgan was running the company, why didn't you transfer all your shares to Mr. Morgan?"

time it was not beneficial to Mr. Morgan."

My question was, "Why" and his answer was,
"I can't answer this. He asked if I would run the company and I did."

Is that correct?

A. No, it is not.

104 Q. Did you ask Mr. Tramiel to run Evermac for you?

A. No I don't own Evermac or any of its shares. The vehicle was used by Mr. Tramiel to put those transactions through and I, when money was required, I saw he got it after discussion with me.

105 Q. My question was further,

"If a man is entitled to profit, the man should have all the shares in the company" His answer was,

"It is normal but it was not here. In normal companies you see the same thing."

Q. What reason did Mr. Morgan give you for continuing to sign all documents on behalf of Evermac?" His answer was, "To help him out."

Q. To help him out in what fashion?

A. To be able to restore some of the companies which had big losses.

Q. He could have done this if he

A. I didn't ask. I didn't go into it that far. He asked to do him a favour and I did."

A. That is a complete figment of his imagination.

106

Q. Further, the question was "You are entering into all those transactions, going to Berlin, running the Berlin Bank?

A. Going over to Berlin. I was not going over specifically for this. I was very often in Berlin.

Q. Subsequently, you did all the work sort of as a favour to Mr. Morgan?

A. Just as a favour to Mr. Morgan and to be able to, I would like to say again, to borrow money to be able to keep Commodore going, not to be stopped."

Is that correct, Mr. Morgan?

A. No, it is not. I knew nothing about that bank at all. This was brought entirely into the orbit of complex of companies by Mr. Tramiel and he negotiated everything about it. I knew nothing about it. Only thing I participated in it, he intimated to me being in the German money market, eighteen times the capital of the company could be borrowed on long term debt and in this way, Atlantic would be able to get cheaper money than it was able to running into

the banks in Canada and the United States to get money, and it would be possible to get money on the European market.

107

Q. Can you outline the discussions that you had with Mr. Tramiel about the Berlin Bank and how you became aware of the existence of the Berlin Bank?

A. It is difficult to put the chronological order on it but Mr. Tramiel, as you know, was running a subsidiary company of Commodore Business Machines in Berlin, the Willy Feiler Company, and he apparently got wind of the opportunity to take a position in the Berlin Bank. This is the Berlin Bank, as you are calling it. He came to me and told me that if money was made available to increase capital of the German Bank from the present whatever it was at that particular time, he had already put in some money and took the position it could be -- he came to me about it ---

108

Q. Excuse me. I would like to deal with that specifically. We have a record of the Trans Commercial Acceptance of October 13th 1964 issuing a cheque for \$135,500.00 which was deposited in the Berlin Bank. Is this the transaction you are referring to?

A. No. I am not familiar with it. I am going to give you what my idea was of the

This page generously brought to you by Daniel Spreadbury thing. In other words, I never had anything

to do with the records of Trans Commercial either and knew nothing about the shareholders, or its transaction, but this transaction would seem to be about the purchase of part of the shares and the German bank bringing it up to say two million marks. Do you know whether or not this went from one and a half million marks to two million marks capital?

109 Q. I will refer you to what Mr. Tramiel has told us, Mr. Morgan. I questioned Mr. Tramiel and asked him what was the original outstanding capital of the bank at the time he became involved with it, and his answer was

"My intention was to buy approximately one million and a half marks worth of shares from the original shareholders of the bank. Mr. Morgan explained,

"There is no sense in buying it for one million and a half. Let's increase the capital to ten million marks."

A. Can I say something off the record here?

110 Q. Subject that if I think it should be on the record, you will repeat it for the benefit of the record.

as what Mr. Tramiel has told me on examination as to his original dealings with the Berlin Bank and I will allow you, Mr. Morgan, to explain your position. I will read for you from page 36 of Mr. Tramiel's examination, question 407

"How did you get involved with the Hugo Oppenheimbank in Berlin?

A. I was interested in buying a bank. When I say I, for Commodore Business Machines buying a small bank in Germany for our operations.

Q. Why?

A. Because we have a substantial operation in Germany and I felt ---

MR. POMERANT: What operation is that?

THE DEPONENT: Willy Feiler."

A further question

"What is the nature of the business operated by Willy Feiler?

A. Office -- producing office machines and I felt a small bank could save us a certain amount of money as far as borrowing was concerned and as far as the discounting notes from customers and so on.

Q. In what manner? I don't understand you. How could it save you money?

rates and by having control of a bank, I felt it would be more beneficial and would save us money. I came back to Toronto after my lawyer advised me that such a bank is available and this is the time we went to an agreement with this Mr. Tuchman that such a bank is available. I signed a document. I discussed this with Mr. Morgan and Mr. Morgan advised me at that time that he had a different plan. A bank would be interesting and we should not buy it for Commodore and to buy it for Evermac.

Q. When did you have this discussion with Mr. Morgan?

A. It must have been the month of October, or before.

Q. What was the result of your discussion with Mr. Morgan?

A. Mr. Morgan said, "Go ahead and buy it. I will arrange you for the cash."

MR. POMERANT: What were the different plans you mentioned before Mr. Baird asked you the question. What were the different plans?

THE DEPONENT: My intention was to buy approximately one million and

original shareholders of the bank.

Mr. Morgan explained, "There is no sense in buying it for one million and a half. Let's increase the capital to ten million marks."

Q. What was the outstanding capital on the bank at that time?

A. One and a half millions.

Q. That is one million and a half marks?

A. Yes. What is it?

Q. That is one million and a half marks, not dollars?

A. His recommendation was to increase it to ten million.

Q. What was the purpose of increasing the capital?

A. The purpose was to have more capital in the bank, more money in the bank, so the bank would have bigger powers to borrow money.

Q. What was the result of this decision?

A. That money was transferred from Aurora to Germany to my account and we bought it.

Q. Did Evermac borrow money from Aurora Leasing?

Q. And this money was put into your account with the bank?

A. Right.

Q. You used the money to purchase common shares of Hugo Oppenheim?

A. Yes.

Q. And those were treasury shares?

A. Yes."

A. My understanding of the original transaction in connection with the bank was that it had been completed in the first stage when Mr. Tramiel came to me---

112 Q. What do you mean by "completed?"

A. In other words, he had arranged to buy or put in enough money to bring it up to two million marks.

113 Q. Where did he get this money?

A. He was getting it out of the funds of the complex that he had and I think he had money available at that particular time in Trans Commercial.

114 Q. Did you know he was using this money from Trans Commercial for this purpose?

A. No. As far as I know, the first stage of the transaction of the Berlin Bank, had been completed when I was brought into the picture, and upon questioning, I asked Mr. Tramiel what was the reason for investment in the German Bank and he told me that the investment

in the German Bank would make it possible for large borrowing up to eighteen times the capital to be done in Germany and this would make it possible to Commodore to borrow money in Germany and after discussing that, I with him jointly, we decided we would increase the capital of the German Bank to ten million marks and this would enable Atlantic to borrow on the German market, whether he claimed eighteen times that capital, which would be about \$35,000,000.00 and that is the reason for it, but the final approach to the bank and all its ramifications up to the point where it was increased from two million to ten million were certainly done and had been completed and all finished by Mr. Tramiel before I entered into the picture with the German Bank.

115

Q. Mr. Morgan, it appears from a translation of the Annual Report of the Berlin Bank, that on September 30th 1964, a resolution was passed raising the original capital of one million five hundred thousand Deutsch Marks by five hundred thousand Deutsch Marks to two million Deutsch Marks by issuing shares at a nominal value of 1 Deutsch mark each and excluding local shareholders from their rights.....

done by Mr. Tramiel before I became aware of the fact that there was even in existence a bank by name of the Hugo Oppenheimbank.

116 Q. It appears that Trans Commercial Acceptance paid \$135,500.00 to the Berlin Bank on October 13th 1964 for the purchase of shares. Was this done with your approval and consent?

A. I knew nothing about that. The transaction was in fact completed when I found out about it.

117 Q. You mean who completed the transaction?

A. Mr. Tramiel had done all the work.

118 Q. The money had been paid?

A. And I dug up the money for him.

119 Q. What money did you dig up? Did you dig up the money for the original five hundred thousand---

A. Not having the records here, in view of the fact they were a continuous customer of Commodore Sales Acceptance and they had many transactions in and out, it is quite possible in the ordinary run of business, this amount of money was made available when it was required but the transaction -- I want to underline this -- the transaction in connection with the entrance into the banking phase of this operation was continually and solely an idea of Jack Tramiel. He did not consult with me at all with regard to it until it was completed and the only reason

I was enticed to make it from two million to ten million was because of his very, shall we say, very high report on the fact that large sums of money were available to a bank, and in addition, it would be possible for the Evermac Corporation to get their money back because he claimed after a short period of time those shares could be placed on the market in Germany and all bank shares were earning, or were going in the current market for about 200 marks for each 100 marks of par value, so it would be possible for Evermac to raise the money in Germany by selling say 50% of their interest and still retain a fairly large percentage.

120 Q. You have stated you approved the increase in the capital from two million to ten million?

A. I didn't approve the increase in the capital. I allowed -- I saw he got the money for the \$2,000,000.00.

121 Q. You say you authorized this loan of \$2,000,000.00?

A. No, I said I arranged for it through Aurora.

122 Q. Why was the money loaned by Aurora to Evermac rather than from Commodore Sales Acceptance or Atlantic to Evermac?

A. Because it was a re-discount loan and it had to be endorsed and if it came through

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Aurora and Aurora had a general assignment of book debts with Commodore. To my way of thinking it looked like a safer bet.

123 Q. I don't understand what you mean by re-discount loan?

A. In other words, the loan was made by Aurora to Evermac and security of the German shares were put up as collateral to the loan and although they were never brought to this country, they were left in the hands of American Express Company in Germany and those notes were endorsed over to Commodore and Commodore had a general assignment of Aurora's book debts and while Commodore was the major lender to Aurora, British Mortgage and Trust had advanced Aurora a substantial amount of money as had individual note holders. It looked like a strong loan as far as I was concerned, to make it through Aurora.

124 Q. We have no record of any pledging agreement covering shares of the German Bank?

A. This is -- the pledging of the shares I believe -- I would have to check back on that. Shares were issued in name of Jack Tramiel and there is a letter somewhere in existence, or there was, that Jack Tramiel signed this to Aurora Leasing as collateral to the note.

125 Q. Jack Tramiel has stated throughout he was acting solely as nominee and agent of

Evermac and has made no mention of assigning shares to Aurora Leasing?

A. You will have to check with the officers of Aurora Leasing but this should have been done.

126 Q. Therefore this is your understanding?

A. Yes.

127 Q. As to what?

That the note was signed by Evermac and the shares in Mr. Jack Tramiel's name were to be endorsed in Evermac and were to be assigned to Aurora as collateral.

128 Q. Did you ever see the shares?

A. I asked Mr. Tramiel about the shares and he said they were such a large package of them that he would be as well to bring them back to Canada. They are apparently in thousand marked notes or something.

129 Q. Did you ever see a letter from Mr. Tramiel acknowledging that they were assigned to Aurora?

A. I never saw them, no, but it was supposed to have been done.

130 Q. Mr. Morgan, you said you thought it was stronger to have the notes given to Aurora and then endorsed to Commodore Sales?

A. Yes.

131 Q. What is your reason for this when the note could have been given directly to Commodore Sales and the shares could have been pledged

directly to Commodore Sales?

A. Well, the equity of Aurora at that particular time was substantial as there was about \$3,000,000.00 of subordinated and junior debt behind Commodore, the preferred advances.

32

Q. You felt it was -- having the covenant of Aurora was better security than having the covenant only of Evermac?

A. Yes.

433 Q. Who agreed to this loan on behalf of Aurora? You said you arranged that Aurora would loan the money. Who made the decision on behalf of Aurora? We are referring throughout to Aurora Leasing Incorporated?

A. The Aurora Leasing Corporation. You will find, as I go through that almost anything I said, they did so, in essence. It was possible I didn't sign the cheque, but whoever did it, did it on my suggestion.

134 Q. The fact of this is then, Mr. Morgan, you were prepared to let Aurora make a loan which you were not prepared to let Commodore Sales Acceptance do. Is that correct?

A. I felt it would be a better loan from Commodore Sales, the principal company which I am interested in, or Atlantic, would be a better loan through Aurora than it would be directly.

135 Q. Were you involved in the investments

increased?

A I was only involved to this extent. At my suggestion Cimcony Limited arranged their loan with the German Bank in connection with the purchase of the Atlantic shares. Now, I know nothing about any other investments for the purchase of the German Bank. This is the only one I know anything about.

136

Q. We will go back one step further.

Did you arrange for the German Bank to purchase 120,000 shares of Atlantic Acceptance Corporation Limited?

A. Yes, and sell them under an option agreement to Cimcony Limited. They bought them for \$18.00 and they sold them for \$18.10 under the purchase agreement.

137

Q. Why did you arrange this transaction?

A. I arranged this transaction so that the equity capital of Atlantic could be placed privately and the German Bank was an exempt corporation.

.38

Q. What do you mean by German Bank an exempt corporation?

A. For instance, when you issue or place privately stock of a corporation, there are a number of corporations that are exempt from -- in other words, a prospectus, one of which is a bank. In other words, when we placed the common shares privately advising the Toronto

Stock Exchange, the two persons, or the two individuals that bought the shares were the Great Northern Capital Corporation and the Hugo Oppenheimbank in Germany -- 120,000 shares each at \$18.00.

.39 Q It was not necessary to issue a prospectus?

A. That is correct

.40 Q. If you had issued the shares to any other person?

A. The bank is an exempt corporation.

.41 Q. Under the regulations of the Toronto Stock Exchange?

A. That's right.

.42 Q. Who controlled the investments made by the German Bank?

A. Mr. Tramiel I think they had some control with regard to the local central banking authority but he was the one---

43 Q. Now, Mr. Tramiel was questioned as to why -- "What was the purpose of the bank purchasing shares of Atlantic Acceptance?"

His answer was,

"To make a profit."

Q. Was there any other reason than making a profit that you were aware of, Mr. Tramiel?"

This is from page 95, and his answer was,

but I didn't have on that particular day.

Q. What are the reasons that you suspect now?

A. The only reason was, I would like to say again, that Mr Morgan was trying to buy a certain amount of Atlantic shares which he could have to his control and that was the reason he asked me to increase the capital or buy more shares in the bank."

Is that correct?

A. That is not correct. The reason as I stated before, the reason for the investment at all in the German Bank, or the increase in capital from two millions to ten millions was that Mr. Tramiel had intimated to me that with large capital in the bank, it would be possible for Atlantic, or any company to borrow in the German market, secured notes under secured notes or any senior debt indenture. In fact, he even went so far to say that Atlantic short term notes could be sold in the market both in Berlin and Frankfurt where the other branch was. He led me to believe at all times that with the control of a bank, it would be possible to increase tremendously the ability to merchandise and place securities of Atlantic in Germany.

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increasing investments in the share capital of Atlantic?

A. No. As a matter of fact, the purchase of Atlantic shares through the bank, they only helped them because they gave an option to Mr. Weinrott of Cimcony Limited.

145 Q. What were the circumstances surrounding the giving of that option to Cimcony Limited of the shares?

A. Well, Cimcony were mortgage investment dealers and placers and getters of money all around the world and they claimed they could place with the use of Hayden Stone -- they are large investment dealers in New York -- with their help out of their Nassau office, they could place -- they could offer, they could place as many dollars worth of Atlantic senior notes as Atlantic required the money and they wanted to acquire shareholder's equity in Atlantic because they felt that the growth of the company would indicate it would become substantial and they wanted to have a piece of the equity so they took this option with the German Bank to buy the shares and on the basis of that, they felt that they would place subordinated debt and three and a half times that of senior debt. There are some documents

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this current year, 1965.

.46 Q. Did you arrange for Cimcony Limited to be loaned any money to pay for the purchase of those shares?

A. That of course is a different transaction.

.47 Q. What was that transaction?

A. That transaction is in connection with -- they were incorporating a company and they had increased their capital up to about \$650,000.00 and I arranged for them to get a loan through Aurora of some \$500,000.00 U.S.

L48 Q. What was the purpose of this loan?

A. The purpose of this loan was to pay the down payment that the German Bank requested. They loaned the \$1,350,000.00 out of the \$2,000,000.

L49 Q. I didn't get those figures?

A. They were American dollars and the purchase price of 120,000 was \$2,000,000.00 U.S. and the loan arranged through the bank was \$1,350,000.00 so Cimcony had to put up \$650,000.00 as down payment on the purchase.

.50 Q. With whom was this \$1,350,000.00 loan arranged?

A. It was arranged between the German Bank -- Mr. Tramiel on one side -- and Mr. Weinrott of Cimcony Limited on the other side.

L51 Q. The German Bank was prepared to loan Cimcony Limited \$1,350,000.00?

A. That's correct.

152

Q. And Cimcony Limited was to pay \$650,000.00 itself?

A. Which it did and Mr. Weinrott and Mr. Shanks, and Mr. -- the other chap, Reilly in Cimcony put in their money and I arranged for a loan through Aurora for the half a million dollars.

153

Q. This loan by Aurora to Cimcony Limited -- was it an actual loan, or purchase of shares of Cimcony Limited?

A. It was -- at the outset, it was supposed to be a loan secured by stock.

154

Q. What do you mean by using the term "at the outset it was supposed to be?" What in fact was it?

A. I believe when Mr. Weinrott completed the transaction, he sent them shares rather than a note.

155

Q. Is there any agreement in writing concerning this transaction?

A. You would have to check with Aurora's files. I haven't---

156

Q. Did you ever see an agreement in writing covering the transaction?

A. No, I didn't.

157

Q. Who had the negotiations with Mr. Weinrott?

A. Well, I negotiated the arrangement of the funds and he was supposed to send in a note

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for it but he sent in shares.

58 Q. When you made the arrangement with Mr. Weinrott, the arrangement was you would loan the money to Cimcony Limited?

A. Correct.

59 Q. And as additional security, Cimcony was to place certain of its stock with Aurora. Is that correct?

A. That is correct. I am in this position -- I didn't realize this was to be involved. I thought I was to be about five minutes but I have to go to Niagara Falls this afternoon.

160 Q. I have been advised that subsequent to the purchase, or the agreement whereby Cimcony Limited was to purchase those shares in the German Bank, that certain of the shares were transferred to the Hugo Oppenheimbank (Canada) Limited, which I refer to the Canadian Bank. Are you familiar with this?

A. Any switches, or any changes of any investments of the German Bank, or the Canadian Bank, I know nothing about. You will have to check with Mr. Tramiel. He moved them around about fifteen times to my knowledge.

161 Q. The records indicate that 12,000 shares of Atlantic Acceptance Corporation were delivered to the Hugo Oppenheimbank (Canada) Limited on February 25th 1965. I questioned Mr. Tramiel as follows:-

"Why were those delivered to Hugo Oppenheimbank (Canada) Limited?

A. Those shares were delivered again on the instruction from Mr. Morgan, to be able to have these shares here and in case we needed the shares against collateral to borrow money, we should have them here. Also, to have the balance of the shares here so that we wouldn't have to pay any tax because if they are in the name of Hugo Oppenheimbank Germany, there is a 15% tax. If it would be in the name of the daughter company which is quite a normal way, I was told they should be held here in Canada. Now, the German Bank at the time gave us authorization and transferred all the shares to do business normal business, to pledge the shares, or to borrow the shares."

A. I know nothing about the transaction at all or any information that I had anything to do with the contract, the reason for it at all.

.62 Q. Subsequent, from the books and records of the Hugo Oppenheimbank (Canada) Limited, it appears there was an agreement of purchase and sale entered into between Manfred Kapp, Jack Tramiel and Hugo Oppenheimbank (Canada) Limited

whereby Messrs Kapp and Tramiel agreed to purchase 75,000 shares of Atlantic Acceptance Corporation from Hugo Oppenheimbank (Canada) Limited at \$20.00 per share. Were you familiar with this transaction?

A. No. As a matter of fact, I am glad this question came up because it has been an amazing thing to me how they dealt with the shares of Atlantic Acceptance. I mean by "they", Mr. Kapp and Mr. Tramiel, when they were under option to Cimcony as far as the purchase was concerned. In other words, how you can move a security on a loan around from Germany to Canada when they had been receiving payment from Cimcony for January, February, and March, April, some \$9,000.00 a month, and yet while this was -- while this contract was in existence. Mr. Tramiel and Mr. Kapp had moved shares of Atlantic Acceptance Corporation to O'Brien & Williams here in town and were using them for collateral security for transactions in their own shares as Commodore Business Machines and using what I would consider trust deposits on a contract with Cimcony Limited, and then eventually I found out that another transaction with Traders Finance -- they took the 75,000 shares of Atlantic Acceptance stock and put it up as collateral. How in the name of heavens they could deal with the shares that belonged to Cimcony in all of these transactions

with regard to the putting up of the shares, for the purchase of the Wilson ---

163 Q. What is the proper name?

A. Wilson Stationers Limited.

164 Q. When you refer to Traders, you are referring to the Traders Finance Corporation Limited?

A. Yes, and those shares were put up as collateral for the completion of that deal when, in my opinion, in my considered opinion, Mr. Tramiel and Mr. Kapp had no licence to deal with them at all.

165 Q. The agreement you refer to between the Hugo Oppenheimbank in Berlin and Cimcony Limited provides that the bank, being the seller, is entitled to use shares transferred as security for its own purposes?

A. A collateral pledge.

166 Q. What would you consider that to mean?

A. In other words, if they were borrowing money, I would presume, from a third party, they could put up that money. If the bank were borrowing money from a third party they could put up those shares as collateral.

167 Q. The minute book of Hugo Oppenheimbank (Canada) Limited indicates that on June 11th 1965, the Hugo Oppenheimbank (Canada) Limited entered into an agreement as vendor with Jack

agreed to sell to the purchaser 75,000 common shares without par value in the capital stock of Atlantic Acceptance Corporation Limited at the price of \$20.00 per share. The agreement also provided that Hugo Oppenheimbank (Canada) Limited would execute a put option agreement where it would agree to re-purchase the shares at \$20.00 per share if the put option agreement was presented prior to March 14th 1966?

A. Well, evidently March 14th 1966 was the expiration of the loan with Cimcony. What consideration did they put up for the \$1,500,000.00 -- just promissory notes?

168 Q. Yes?

A. I wonder how they got 75,000 shares out of that.

169 Q. Did you approve this transaction on behalf of Evermac, or on behalf of anyone?

A. I had never heard of it until this moment.

170 Q. In the minute book of Hugo Oppenheimbank (Canada) Limited there is an acknowledgement signed by the Berlin Bank wherein it consented to the sale by Hugo Oppenheimbank (Canada) Limited to Messrs. Jack Tramiel and Manfred Kapp of the 75,000 common shares in the capital stock of Atlantic Acceptance Corporation Limited. Were you involved in arranging for that to be signed?

A. No. I have had no dealings with either the German Bank, or the Canadian bank at all. All of those transactions were put through and instigated by Mr. Tramiel and his attorneys.

.71 Q. A question at page 151 of Mr.

Tramiel's examination was

"Why were those shares transferred from the German Bank to the Canadian Bank?

MR. POMERANT: I think he has answered that. He has said they were transferred because of Mr. Morgan's instructions in that Mr. Morgan apparently felt there was a 15% tax.

THE DEPONENT: Yes."

Mr. Tramiel is the deponent?

A. I am most positive that this is an absolute figment of their imagination.

172 Q. I also questioned Mr. Tramiel at page 152 - "Who instructed the Canadian Bank to use these shares as collateral for those loans?

A. This was authorized in Germany and when we had them here and when we needed money, and after discussing it with Morgan, saying we need \$100,000.00, whatever it is, he says, 'Why don't

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Williams, or Eastern Trust to borrow against it.' and this was done, and we done.it."

Is that correct?

A. No, it is not. He never discussed any of his financial problems with regard to the stock with me. I wish he had of.

.73 Q. I questioned Mr. Kapp at page 48 of his examination held on October 5th 1965 --

"What was the reason for the loan of \$135,500.00 from Trans Commercial Acceptance to J. Tramiel?

A. This is dealing with the purchase of shares of the bank in Germany.

Q. This is the bank we refer to as the Berlin Bank?

A. The Berlin Bank, right. By Evermac, again under the direction of Mr. Morgan and by reason of the German Laws, or what have you, those transactions were carried on by Mr. Tramiel on a personal basis."

A. As I told you the \$135,000.00, which is the increase from 1,500,000 to 2,000,000 marks was done and in fact an accomplished fact before I entered into the transaction. I have no knowledge of that original purchase at all.

.74 Q. I questioned Mr. Kapp as to

for?

A. To purchase shares in a bank.

Q. On whose behalf was he to purchase those shares?

A. On behalf of Evermac at again the direction of Mr. Morgan."

Is that correct?

A. No, that is not correct at this stage.

In other words, as I have tried to point out, the initial purchase from 1,500,000 to 2,000,000 I knew nothing about it and I only knew about the purchase of the shares from 2,000,000 to 10,000,000.

175 Q. I asked Mr. Kapp at page 49 --

"Do you know of any agreement?"

A. Not off hand. I only knew what we have been told that Mr. Tramiel was making this transaction at the instigation of Mr. Morgan and it was being done on behalf of Evermac."

Is that correct?

A. You see, I was under the impression now that the original--- the \$135,000.00 was done for Trans Commercial? Is that right?

176 Q. Yes. It was a loan by Trans Commercial.

A. To Evermac?

177 Q. No, it was -- originally, Trans Commercial paid \$135,500.00 to Mr. Tramiel.

Subsequently, Trans Commercial stated that

this was an obligation of Evermac and arranged to have it recorded as an obligation or as a transaction on behalf of Evermac?

A. Well, I still so state that I had nothing to do with the \$135,500.00 deal at all.

178 Q. Now, when the loan with Aurora was arranged, the loan of \$2,075,000.00, there was a direction dated December 10th 1964 signed by Evermac under its corporate seal, and by Mr. Kapp to Aurora Leasing. I would like to show you that direction. Mr. Kapp has stated he signed this direction at your request. Is that correct?

A. No.

179 Q. Mr. Morgan, Mr. Tramiel entered into an agreement with the German Bank dated July 1st whereby shares which he held of the German Bank were surrendered to the German Bank in consideration for the return of certain investments which the German Bank had made. Were you aware of that agreement?

A. No, I was not aware of that agreement, and other -- the last time I saw Mr. Tramiel was the 12th June and I have spoken to him over the telephone. I have called him twice in the interval between now and the 12th June and anything that has been done since the Atlantic default, Mr. Tramiel has done it with the

talked to me about it at all.

180 Q. Does this include -- does this statement you have made include any dealings between Trans Commercial and Commodore Business Machines?

A. Anything. From the 12th June until now, I have not had any personal contact with Tramiel except over the phone.

181 Q. Have you had any contact with Mr. Kapp?

A. No, I have not.

182 Q. Have you given instructions to any other person to speak to Mr. Kapp or Mr. Tramiel on your behalf?

A. No, I have not.

MR. BAIRD: We will adjourn now.

---Examination adjourned until the 29th October 1965.

I hereby certify the foregoing to be the examination of C. POWELL MORGAN, under Section 121 of the Bankruptcy Act, taken in shorthand before me on the 22nd day of October, 1965.

Certified correct:

Jean Pert

Chartered Shorthand Reporter

Peter W. Mchugh
SPECIAL EXAMINER

ROYAL COMMISSION
ON
ATLANTIC ACCEPTANCE CORPORATION LIMITED
EXHIBIT No.

PER..... REGISTRAR..... DATE.....

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Derek Balling	Robert Quenet
Paul Taylor	Herbert Bagnall
Richard Beno	Vitas Povilaitis
David Gaj	Juha Joki
Kai Engelbrecht	Andrew Neilson
James Murphy	Hector Juan Lopez
Ben Speakmon	Brian Ng
Keir Fraser	Gerry Corcoran
Kevin Foss	Kevin Bagnall
William Glass	